

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 PM-03 L-02 CIAE-00 INR-05 NSAE-00

RSC-01 PA-01 PRS-01 USIA-06 EB-07 COME-00 TRSE-00

NSC-05 SP-02 SS-15 H-01 IGA-01 AID-05 /066 W

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R 171059Z DEC 74

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 9168

INFO SECDEF WASHDC

CINCPAC

COMUSMACTHAI BANGKOK

C O N F I D E N T I A L BANGKOK 19645

E.O. 11652: GDS

TAGS: MARR, TH

SUBJECT: TAX STATUS OF DOD CONTRACTORS

REF: (A) BANGKOK 19047; (B) MACTHAI 120051Z DEC;

(C) MACTHAI 121125Z DEC 74; (D) FBIS D120300

1. SUMMARY: BASE SERVICE CONTRACTORS AND MAJORITY OF TECH REPS HAVE BEEN PREPARING GIVE EMPLOYEES TERMINATION NOTICE. UNLESS EMPLOYEES' VISAS EXTENDED, THEY MUST LEAVE THAILAND IN COURSE NEXT 30 DAYS. MISSION HAS OBTAINED ASSURANCES TECH REPS WILL BE EXTENDED IN CURRENT US-INVITED STATUS. CONTRACTOR PERSONNEL ARE ALSO EXPECTED BE EXTENDED TO EXPIRATION CURRENT CONTRACTS. TAX ISSUE REMAINS UNRESOLVED. END SUMMARY

2. BASE MAINTENANCE SERVICE CONTRACTORS AND MAJORITY (35 OUT OF 62) TECH REP CONTRACTORS HAVE BEEN PREPARING TO REMOVE US CITIZEN EMPLOYEES FROM THAILAND IN FACE NON-EXTENSION THEIR VISAS. WHILE US CONTINGENCY PLANS PROVIDE MEANS OF CONTINUING BASE MAINTENANCE SERVICES UNDER SUPERVISION US MILITARY PERSONNEL, CONVERTING CONTRACTOR LOCAL NATIONAL EMPLOYEES TO
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DIRECT HIRE BASIS, THIS WOULD HAVE BEEN AT BEST

TEMPORARY AND HIGH-COST SOLUTION. CONTRACTORS HAD SERVED NOTICE THEY WOULD CLAIM TRANSPORTATION AND OTHER COSTS OF DEPARTING AMERICAN CITIZENS, AND LOCAL NATIONALS WOULD HAVE BEEN ENTITLED SEVERANCE PAY WHEN STATUS CHANGED. CONTINUANCE OF SERVICES PERFORMED BY TECH REPS WOULD HAVE BEEN NEXT TO IMPOSSIBLE.

3. POMIL COUNSELOR AND COMUSMACHTAI SAW C/S SUPREME COMMAND GENERAL KRIANGSAK CHOMANAN EVENING DECEMBER 13 IN EFFORT TO GAIN TIME FOR FURTHER EXAMINATION OF TAX RELIEF POSSIBILITIES WHICH MFA IS TO UNDERTAKE (REF A).

4. AFTER LENGTHY DISCUSSION DURING WHICH TWO SIDES RESTATED FAMILIAR POSITIONS, KRIANGSAK AGREED TO FOLLOWING PACKAGE: (A) TECH REP CONTRACTORS AND PERSONNEL COULD CONTINUE IN CURRENT STATUS. (KRIANGSAK TOLD HIS ASSISTANT, ADMIRAL SOMJIT, WHO WAS PRESENT, TO ACT ON MONDAY, DECEMBER 16, TO EXTEND TECH REP VISAS); (B) WE WOULD SEND LETTER TO SUPREME COMMAND ASKING EXTENSION OF BASE SERVICE CONTRACT AMERICAN CITIZEN EMPLOYEE VISAS UNTIL EXPIRATION OF CURRENT CONTRACTS (JUNE 30 AND AUGUST 31, 1975).

5. WE SENT LETTER TO KRIANGSAK DECEMBER 17. HE IS LEAVING THAILAND FOR EXTENDED TRAVELS IN SOUTH-EAST ASIA DECEMBER 18. HE HAD EMPHASIZED THAT WRITTEN COMMITMENT TO GO THAI-REGISTERED WAS NEEDED BY HIM IF VISA EXTENSION FOR SERVICE PERSONNEL WAS TO BE DEFENSIBLE IN THE EYES OF OTHER INTERESTED THAI GOVERNMENT AGENCIES. TAX ISSUE WAS NOT WITHIN HIS POWER TO RESOLVE. IN LETTER, HOWEVER, WE AVOIDED UNCONDITIONAL COMMITMENT TO GO THAI-REGISTERED, AND WE ADVISED HIM ORALLY THAT SATISFACTORY SOLUTION OF TAX ISSUE REMAINED AN IMPEDIMENT. WE SHOWED LETTER TO KRIANGSAK IN DRAFT AND HE AGREED TO ACCEPT IT.

6. WE WILL PURSUE TAX QUESTION THROUGH MFA. OUR APPROACHES TO ACTING FONMIN CHATCHAI (REF A) HAS NOT
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YET PRODUCED VISIBLE ACTION. CHARGE FOLLOWED UP DECEMBER 11 BY RAISING MATTER WITH FONMIN CHARUNPHAN. CHARUNPHAN AGREED IN PRINCIPLE THAT US CONTRACTORS FOR MUTUAL DEFENSE PURPOSES SHOULD NOT BE TAXED, BUT SAID HE WOULD HAVE TO CHECK FULL IMPLICATIONS WITH OTHER ELEMENTS OF RTG. WE WILL KEEP PRESSURE ON FOREIGN MINISTRY.

7. FYI - BANGKOK "POST" MORNING DECEMBER 13 CARRIED

FRONT PAGE STORY ON CONTRACTOR TAX ISSUE. KRIANGSAK
HAD ALERTED US IN ADVANCE THAT STORY WOULD APPEAR.

HE CLAIMED TO HAVE MODERATED IT DURING INTERVIEW
WITH "POST". STORY, HEADLINED "NO BASE CONTRACTS
FOR US COMPANIES", SAYS THAT IF AMERICAN COMPANIES
WANT TO PARTICIPATE THEY HAVE TO FORM JOINT VENTURES
WITH THAIS HOLDING AT LEAST 51 PERCENT OF THE SHARES.
THE COMPANIES WILL BE REQUIRED TO PAY TAX AND ALL
AMERICAN COMPANY OFFICIALS AND WORKERS WILL ALSO
HAVE TO PAY INCOME TAX. AT PRESENT, THEY ARE
EXEMPTED FROM TAX PAYMENTS AS "INVITED CONTRACTORS".
STORY QUOTES KRIANGSAK AS SAYING "THAIS HAVE BEEN
TRAINED TECHNICALLY AND WE HAVE THE CAPABILITY OF
TAKING OVER FROM THE AMERICANS". FULL TEXT
TRANSMITTED FBIS (REF D).
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Message Attributes

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